Marketing Healthcare Centers & Hospitals

Session 8

The Meaning of Products And Services

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The Meaning of Products And Services

For any business, the focus of marketing revolves around the selling of products and services to meet customer needs.

Health care business lines involve a range of products and services.

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The Meaning Of Products And Services

The primary distinction between products and services is their degree of tangibility, or the extent to which they can be examined, touched, or experienced before purchase.

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The Meaning of Products And Services

The marketing of services is often more challenging because of their unique elements, given that they are not tangible.

Services differ from products on five components, which can be referred to as the five I's.

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The Five I's of Services

Service marketing is a challenge and often difficult aspect of marketing.

The five characteristics of services that any **health care marketer should recognize are :**

Intangibility,

Inconsistency,

Inventory,

Inseparability

Interaction.

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1-Intangibility

Services are intangible in that they cannot be felt, touched, or heard (perceived) before they are encountered. e.g

Cardiac surgery, for example, is intangible.

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Intangibility

A major challenge in the marketing of intangible services is to show the tangible benefits from their use.

Example :An advertisement of, the hospital birthing center might show a mother with a pleased baby.

Worry about what color to paint the new room.
We'll worry about everything else.
The birth of your child is a wonderful moment – your own little miracle. But you may have alot of questions, especially if you're a first time mom-to-be. That's why Sacred Heart will be with you every step of the way. With our caring, knowledgeable team of physicians and nurses, you can rest assured that you and your new little one will be in the best hands. So you can spend less time worrying, and more time getting ready for your new bundle of joy.
Sacred Heart Health System
Healthcare that leaves no one behind

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2- Inconsistency

In the manufacture of a product, exact standards can be developed by which the production line assembles a car, telephone, or other product within some defined tolerance levels.

Deviations in the tolerance can lead to a simple adjustment in the production machines.

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Inconsistency

Health services are delivered by group: nurse, the physician, the admitting clerk,……

In this regard, service marketing is more difficult than product marketing to keep consistency.

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Inconsistency

-People delivered services have *inherent variability*.

-The delivery of the service changes with the individual who delivers the service.

Example: two surgeons may have markedly different levels of proficiency at performing a particular procedure.

Although they perform the same clinical procedure.

No one would argue that they are delivering the same service.

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Inconsistency

Similarly, on any given day, the admitting clerks at the hospital may deliver their services differently as a function of their own motivation, morale, or attitude.

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Inconsistency

For service marketers, the objective in reducing inconsistency is to achieve as much standardization as possible.

The key, however, to any attempt at reducing inconsistency in people delivered services is:

training.

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3-Inseparability

Services cannot be separated from the individuals who deliver them.

The link between the issues of inseparability and inconsistency stresses the complexity of health care service marketing.

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4-Inventory

The issue of inventory is often ignored in the discussion of services.

Inventory is a concept that is common to product businesses.

In the analysis of costs associated with product businesses, a major concern is the cost of carrying any inventory.

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Inventory

-Yet services, too, have inventory.

-Whenever an employee who delivers the service is not being utilized, but is still being paid , an inventory exists.

Example :A hospital emergency room physician who is paid on a contract represents an inventory cost that the hospital carries.

As long as the emergency room is not being utilized and the physician has down time, the cost of that inventory is large.

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Inventory

-Service businesses can manage the cost of inventory by either managing the service deliverer or by shifting the demand.

-One strategy for managing the delivery of a service is to employ part-time workers who work at peak time periods.

-**Example** :Nurses are frequently paid premium wages for working certain shifts or working overtime to cover unusually busy periods of activity.

-In health care, accomplishing this strategy requires an understanding of the ebb and flow of customers through the business.

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5-Interaction With Customers

Because services involve processes,

an important consideration in marketing a service is the quality of the interaction between the customer and the service provider.

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The Product Life Cycle.

The marketing implications and considerations for any product vary depending on **how long the product has been in existence**, **the number of competitors**, and **the level of sales or revenue** the product is generating.

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The Product Life Cycle.

Central to understanding the marketing of products, then, is the concept of the product life cycle.

The product life cycle refers to the stages a product goes through as it exists in the market from its first **introduction** to **its final withdrawal**.

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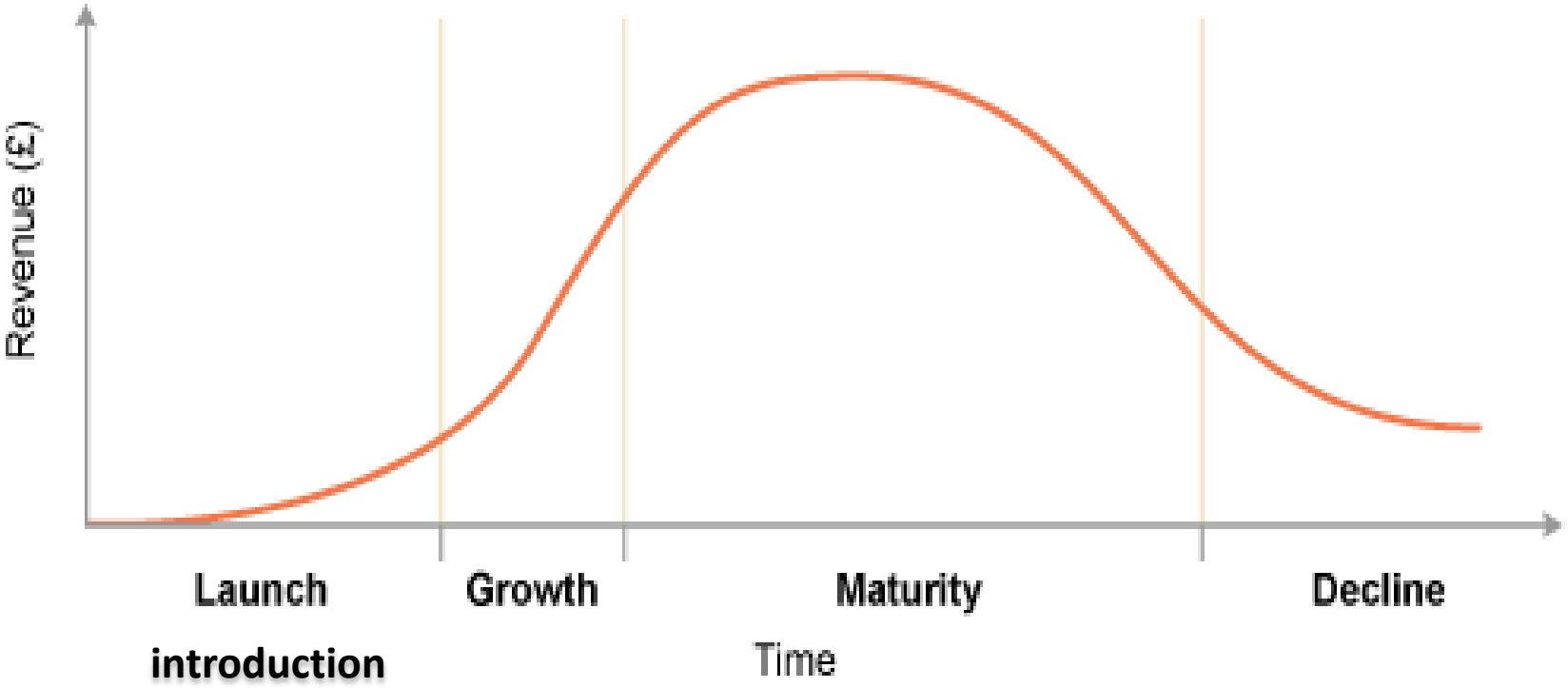
Typical Product Life Cycle



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The Product Life Cycle.

The four stages of a generalized product life cycle: **introduction**, **growth**, **maturity**, and **decline**.

In this representation the X-axis represents time and the Y-axis represents gross revenues or sales.

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Introduction

The first stage of the product life cycle, introduction, occurs when the product is first rolled out into the marketplace.

The introduction stage has several key challenges.

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Product

The key consideration in the introduction stage of a product is quality.

Product quality must be at the level that meets customer expectations.

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Product

A product whose quality suffers at this stage of the life cycle will have a difficult time reaching the growth stage.

Early buyers who try the product will become dissatisfied and will discourage prospective buyers.

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Product

In service marketing, the introduction stage of the life cycle is particularly difficult.

Because much of the service delivery involves :
a process and personnel,

internal controls become of paramount importance.

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Price

At this stage of the product life cycle, **pricing** follows one of two primary strategies:

-Skimming price strategy, involving a high initial price relative to competing products or substitution.

-Penetration price strategy roll out the new product and **price it lower** than the competition.

-Each approach has **advantages and disadvantages**.

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Price

Advantage of skimming price :

The high price sets off the product as a premium good or a status item.

-There are often some early buyers who want the product no matter what the price (these buyers are less price sensitive).

-Achieve a greater margin on these early buyers and to استرداد recoup the cost of developing the new product.

-In health care, there is some strong logic to this rational.

Because services are intangibles, price is one way consumers can infer the quality of the service, because price is a tangible element.

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Price

The disadvantages of a skimming strategy :

1- ……

2-Entice competitors to entire the field.

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Price

The **advantage** of a **penetration strategy** :

-keeps the competition out and encourages demand.

The major limitation of penetration pricing:

-Can entail some real financial risks for a health care organization…..

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Price

-Penetration strategy:

-The organization must understand the per unit cost to ensure that the low initial price covers the per-unit cost, in addition to providing a return to the company.

-It has always been difficult for health care organizations to determine an accurate per-unit cost of delivery.

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Promotion

Promotion is an essential component to consider in the introduction stage.

For a truly new product or service, the company must develop primary demand, or interest in purchasing this new class of service.

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Promotion

A new product requires significant promotional effort to educate the market about a product's capabilities.

In the introduction stage, the promotional concern is to generate awareness.

Advertising must create brand awareness.

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Place

The distribution issues in the introductory stage of the product life cycle are some what limited.

The key challenge is to obtain some initial exposure for the product.

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Growth

In the growth stage of the product life cycle, sales of the production begin to increase rapidly.

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Product

Once other competitors enter the market, each organization advertises its particular name to generate selective demand.

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Product

Once there is market competition, the competitors battle for middleman support.

Example : In health care, personal sales emphasis is occurring with managed care plans e.g. Surgery Packages

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Price

It is difficult to raise the price for a product after its introductory offering.

Too large a price increase without a substantial change in the product quality, however, can lead to significant buyer dissatisfaction in any business.

On the contrary ,in health care ,we have observed many hospitals raised their prices after they reviewed utilization rates.

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Place

A major emphasis of marketing strategy in the growth stage is one the distribution component of the marketing mix.

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Maturity

In this phase of the life cycle, sales begin to slow.

An indicator of the mature stage is when the marginal competitors begin to exit the business line.

In the mature stage of the life cycle, the key objective is to maintain the existing customer base.

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Product

Few major product decisions are made during this stage of the life cycle.

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Price

At the mature stage of the life cycle, pricing becomes far more competitive.

Typically at this stage, aggressive price discounting occurs, which contributes to the exit of some marginal competitors.

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Promotion

- Promotion at this stage involves retention of:

(existing customers, discounts or promotional games) are often used to keep existing customers coming back.

Example :McDonald's, offers different promotional products to children as a way to maintain customer loyalty.

In the health care setting, such games or promotions would be considered unacceptable……..??

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Place

The distribution decision at this stage is relatively simple the profitable channels are maintained and marginal outlets are dropped.

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Decline

The decline stage of the life cycle is difficult for any organization, it must recognize that the service cannot continue to grow.

Services in the decline stage of the product life cycle can consume an unbalanced share of management time and financial resources.

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Decline

-Relatively few options are available.

-The most difficult option is to drop the product, or eliminate, the service.

-A final option is to harvest the service.

-This involves paring out the aspects of the service that are truly not profitable and offering a reduced version of the service for loyal customers.

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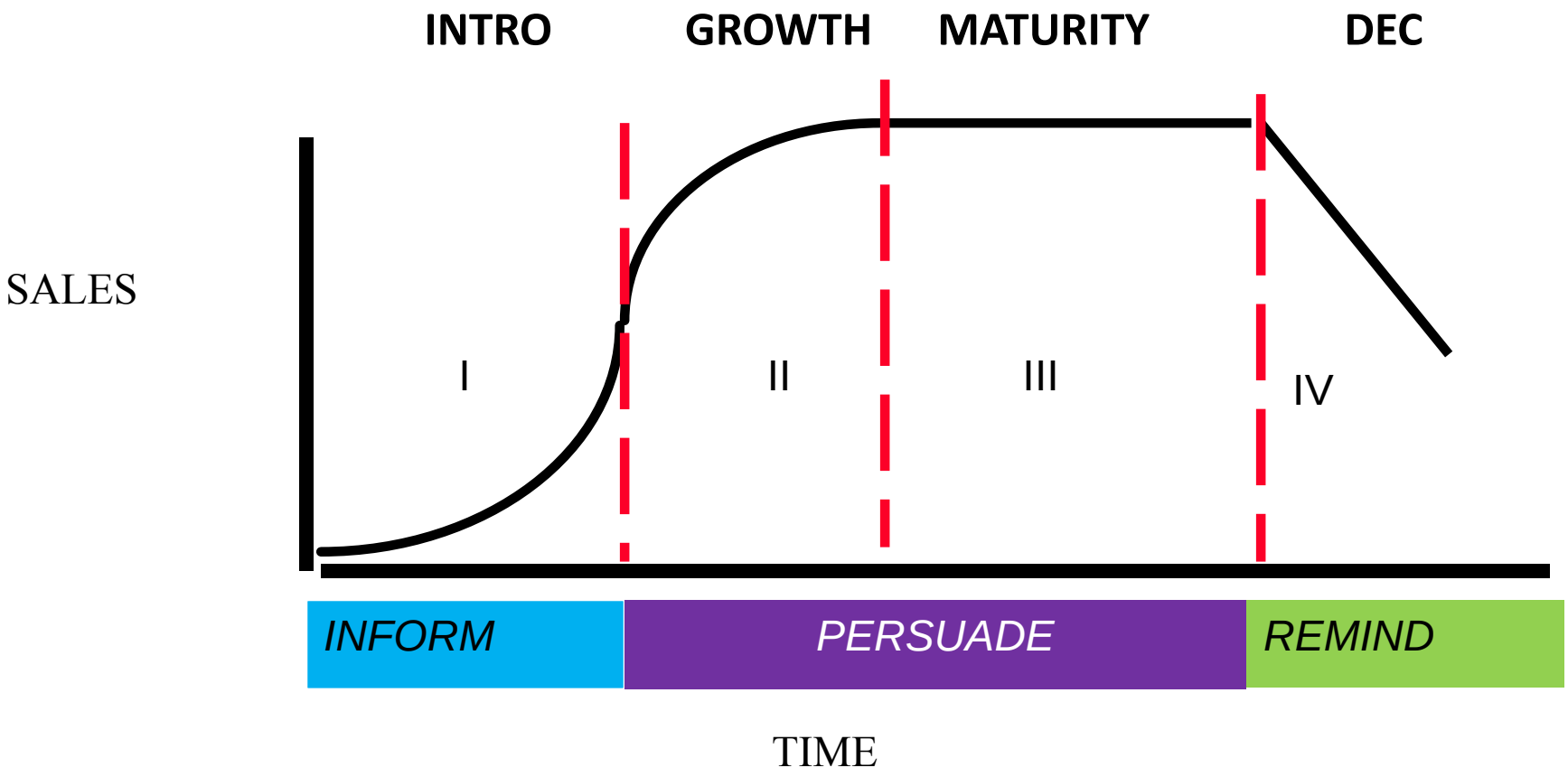
Advertising and the Product Life Cycle



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Brand

- Definition
  - Name, color, symbol or term that distinguish one seller's product from another
  - Trade Name - Commercial
  - Trade Mark – Legal protection

MAYO CLINIC

- Benefit
  - **to provider →**

Brand "Equity" value of the brand (AUC) adds to the product (healthcare management diploma)

(The Mayo clinics' trade name has significant brand equity)

  - **to customer →**

Identification of certain product

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- Short and simple
- Suggestive of product benefits
- Legally available
- Timeless rather than timely
- No negative imagery
- Easy to spell, read, and pronounce
- Adaptable for international markets

Characteristics of a Good Brand Name

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Generic Product / Brand

**A no-name product with no identification other than a description of contents (peanut, butter, eggs, tomato,…..)

** Cola – Aspirin – Kleenex

The Diffusion of Innovation

Consumers differ in the amount of time they require before adopting a new product.

The rate at which a product is adopted by the market is called the diffusion of innovation.

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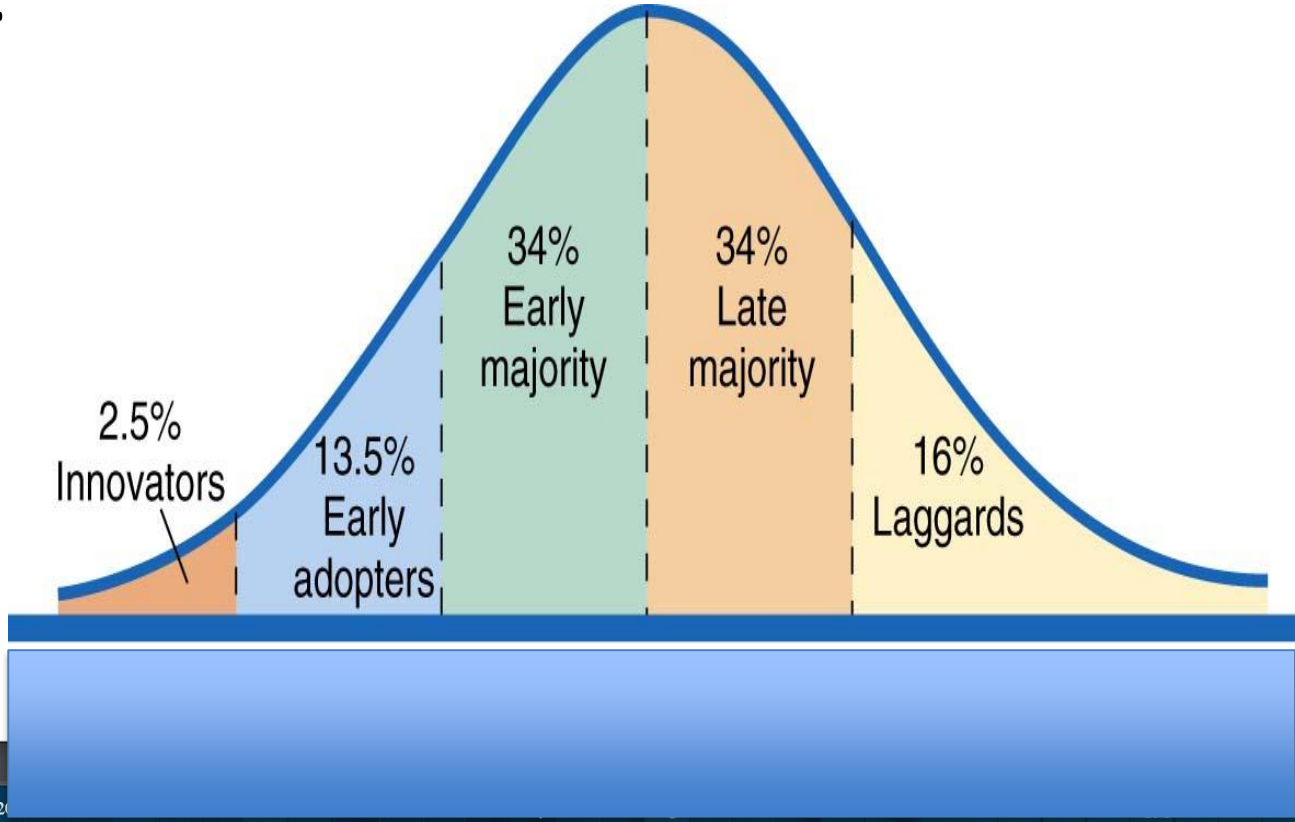
The Diffusion of Innovation

These categories include:

1. **Innovators**.
2 .**Early adopters**.
3 .**Early majority**.
4 .**late majority**
5 .**laggards**.



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The Diffusion of Innovation

The characteristics of these groups do differ.

This can be most clearly seen today in many hospital and medical groups when it comes to the adopting of Electronic Medical Records (EMRs).

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The Diffusion of Innovation

Innovators: These individuals have traditionally been profiled as the first to adopt a new product. Innovators tend to be risk takers who are highly educated and who use multiple information sources.

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The Diffusion of Innovation

-Early adopters: these are people who are leaders in their social setting, above average in education.

-They tend to be respected by their peers and are turned to for information by slower adopting groups.

-Early market adaptors of new technologies ,willing to endure technical difficulties to gain a competitive advantage

(e.g., EMRs)

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The Diffusion of Innovation

Early and late majority: These two groups represent the bulk of the population.

The early majority are deliberate decision makers who have many informal social contacts.

The late majority is far more skeptical of new products and is below average in social and economic status.

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The Diffusion of Innovation

Laggard: This group represents the last people to adopt, have a strong fear of debt and are price conscious.

Their sources of information are primarily family and close friends, tends to be tradition bound.

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The Diffusion of Innovation

Most companies develop profiles of the innovators and early adaptors. ??

This strategy has been closely followed by health care company sales forces who try to identify which nurse or physician groups might be the most likely to adopt and have the greatest influence on their hospital staffs.

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Factors Affecting Adoption

-Several factors determine the speed at which a new product is adopted by consumers.

-Five factors that influence the speed of adoption:

Relative advantage,

Compatibility,

Complexity,

Divisibility,

Communicability.

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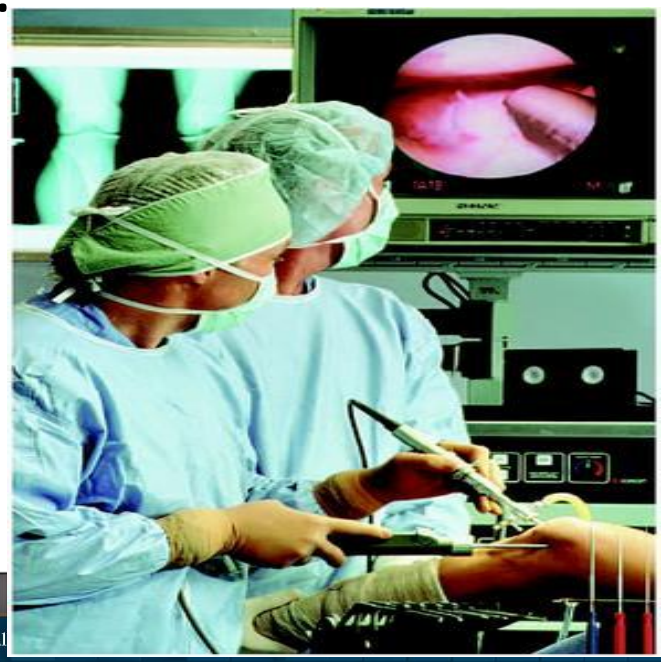
Relative Advantage

-This dimension refers to the perceived benefit **or** advantage that a new product has over existing products in the market.

-The more the product has a noticeable and valued relative advantage, the quicker it will be adopted.

Example : Health care providers quickly recognized the benefits of arthroscopic surgery on recovery time for simple knee operations.



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Compatibility

A product that is compatible with existing values **or** customs will be adopted more quickly than one that is not.

Example :Among older consumers, the early adoption of microwave ovens was rather slow.

The manner in which food are cooked in microwaves was inconsistent with long used methods and recipes.

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Complexity

A product's complexity will affect its rate of adoption.

More complex products are accepted at a slower rate.

e.g. **obesity management**

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Divisibility (Trialability)

- A product's divisibility is the degree to which the product can be tried on a limited basis.
- In consumer product marketing, divisibility can be offered through the use of samples.
-Similarly, pharmaceutical companies give physicians free samples that they can then pass on to their Patient.
-In health care services this is limited to achieve.
e.g. colored lenses, whitening teeth

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Communicability (Observability)

-The easier a product's benefits can be communicated, the quicker the rate of adoption.

-Many hospitals have offered educational seminars as a way to help patients to experience the hospital staff and services

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